

COMMONWEALTH OF MASSACHUSETTS
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ENERGY AND ENVIRONMENTAL AFFAIRS
DEPARTMENT OF ENERGY RESOURCES
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Charles D. Baker
Governor

Karyn E. Polito
Lt. Governor

Matthew A. Beaton
Secretary

Judith F. Judson
Commissioner

June 30, 2017

Dear Conference Committee Members,

As you are aware, on December 27, 2016, the Department of Energy Resources (DOER) determined that it is prudent for the Commonwealth to set targets for electric distribution companies (EDCs) to procure energy storage systems, pursuant to An Act Relative to Energy Diversity, Chapter 188 of the Acts of 2016 (The Act) signed into law by Governor Baker August 8, 2016. Section 15(b) of the Act further states that, "the department shall adopt the procurement targets, if determined to be appropriate under subsection (a), by July 1, 2017".

As part of this determination process, the DOER solicited written stakeholder input addressing appropriate target scale, structure, and mechanisms of a target. After careful review and consideration of the comments received, as well as research and analysis in line with the department's State of Charge energy storage study, DOER is adopting an aspirational 200 Megawatt hour (MWh) energy storage target for electric distribution companies to procure viable and cost-effective energy storage systems and consistent with the legislation this target is to be achieved by January 1, 2020. Storage procured under this target will serve as a crucial demonstration phase to further the Commonwealth's knowledge of the potential for this technology. Based on lessons learned from this initial target, DOER may determine whether to set additional procurement targets beyond January 1, 2020.

The purpose of this target is to fulfil the intention of the legislation in a way that compliments the planned course of the Massachusetts' Energy Storage Initiative (ESI) so that the Commonwealth can learn about the most cost-effective and viable deployment of energy storage and develop future policies. Additionally, the target sets a flexible goal for electric distribution companies to identify the most cost-effective applications and the best locations for energy storage deployment, including both in front of the meter and behind the meter applications.

Storage has long been recognized by the Administration as a potential opportunity for the Commonwealth and in establishing this target it is crucial to provide the context of our ongoing work on energy storage to date. In May of 2015, Governor Baker launched the ESI, a \$10 million commitment to analyze opportunities to support Commonwealth storage companies, as

well as develop policy options to encourage energy storage deployment. The first phase of the ESI was the completion of a comprehensive report detailing the value of deploying energy storage in Massachusetts and a roadmap of policy recommendations for growing the energy storage market and industry in the Commonwealth. That report, State of Charge, was released on September 16, 2016 and determined that energy storage has the potential to be a game changer for Massachusetts, with hundreds of millions of dollars in benefits for ratepayers.

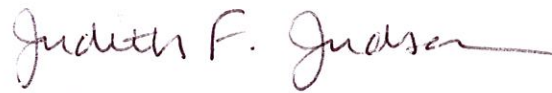
The second phase of the ESI was announced on March 28, 2017 when the Massachusetts Clean Energy Center (MassCEC) and DOER launched a \$10 million grant program known as Advancing Commonwealth Energy Storage (ACES), aimed at piloting innovative, broadly-replicable energy storage use cases/business models in order to prime Massachusetts for increased commercialization and deployment of storage technologies.

In addition to ACES, I am pleased to report that the Administration has begun implementing many of State of Charge's policy and program recommendations. These policies align with the authorizations provided in the Act to encourage the cost effective deployment of energy storage systems through "the refinement of existing procurement methods", "alternative compliance payments pilot programs", and "the use of energy efficiency funds". First, efforts to refine existing procurement methods include allowing energy storage to be paired with the newly authorized procurements featuring 9,450,000 MWh of clean energy and 1,600 MW of offshore wind generation and incentivizing energy storage through the new Solar Massachusetts Renewable Target (SMART) program. Next, energy storage programs funded by Alternative Compliance Payments include the ACES Grant Program, the Peak Demand Reduction Grant Program, the Community Clean Energy Resiliency Initiative, and other programs are in development including allowing energy storage to be an eligible technology in future Green Communities grants. Finally, the use of energy efficiency funds by an electric distribution company for storage that provides sustainable peak load reductions is currently being explored as a demonstration initiative in the 2016 – 2018 Three Year Energy Efficiency Investment Plan. DOER recognizes further opportunities to advance energy storage in the Commonwealth through future regulatory proceedings and is considering expanding energy storage in the Alternative Portfolio Standard.

The Act requires that, "[n]ot later than January 1, 2020, each electric company entity shall submit a report to the department of energy resources demonstrating that it has complied with the energy storage system procurement targets and policies adopted by the department..." DOER is requesting that the electric distribution companies submit annual reports beginning January 1, 2018 to inform state policy on the cost effectiveness and viability of energy storage in a variety of ownership models and use cases. To ensure the state can best leverage any findings and lessons learned from this target, DOER expects to be informed of how many MW and MWh each EDC procured, the types of energy storage procured, the cost-effectiveness of the various energy storage projects undertaken, wholesale market opportunities identified and monetized, how market barriers to the adoption of energy storage were addressed and resolved, and recommendations, if any, for energy storage programs and policies going forward. After review of the submitted reports, DOER will determine if an additional energy storage target for electric distribution companies will benefit ratepayers.

For additional information on energy storage efforts underway by the Administration, please visit www.mass.gov/cea/storage.

Sincerely,

A handwritten signature in dark ink, reading "Judith F. Judson". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

Judith F. Judson

Commissioner

Department of Energy Resources

Cc: Governor Charles D. Baker,
Lieutenant Governor Karyn E. Polito,
Secretary Matthew A. Beaton, EOEEA